ALASKA POWER ADMINISTRATION/Final Passage

SUBJECT: **Alaska Power Administration Sale Act . . . S. 395. Final passage, as amended.**

ACTION: BILL PASSED, 74-25

SYNOPSIS: As amended and passed, S. 395, the Alaska Power Administration Sale Act, will direct the Secretary of Energy to sell the Alaska Power Administration and will repeal the current prohibitions on the export of Alaskan North Slope oil. Specific provisions include the following:

- the Secretary of Energy will sell the Snettisham Hydroelectric Project near Juneau, Alaska, to the State of Alaska;
- the Secretary of Energy will sell the Eklutna Hydroelectric Project near Anchorage, Alaska, to the Municipality of Anchorage, the Chagach Electric Association, and the Matanuska Electric Association;
- both power plants will be exempt from Federal Energy Regulatory Commission licensing requirements, but will continue to be bound by previous agreements entered into with the Federal Government to protect fish and wildlife;
- "Congress declares" that the sale of these hydroelectric projects will not serve as a precedent for future sales of Federal hydroelectric projects;
- all Federal laws prohibiting the exportation of crude oil produced on the Alaskan North Slope will be repealed, though nothing in this Act will prevent the President from using his authority under the Export Administration Act to restrict such exportation in order to protect the national interest;
- Alaskan North Slope oil that is exported will only be transported on vessels documented under United States law, unless the destination is either a country which currently is eligible to receive oil under a bilateral oil supply agreement or a country that is a signatory to the International Emergency Oil Sharing Plan;
- the President may find that anticompetitive actions related to the exportation of North Slope Oil that hurt domestic shipyards and refineries are harmful to the national interest, and may block that exportation;
- part of the debt for a drydock owned by Portland, Oregon will be retired by the Federal Government; and
- the Secretary of Interior will have discretionary authority to waive royalty payments for oil field leases on the Outer Continental

(See other side)

YEAS (74)			NAYS (25)		NOT VOTING (1)	
Republicans (51 or 94%)		Democrats (23 or 51%)	Republicans (3 or 6%)	Democrats (22 or 49%)	Republicans (0)	Democrats (1)
Abraham	Inhofe	Baucus	D'Amato	Akaka		Biden-[2]
Ashcroft	Jeffords	Bingaman	Gorton	Boxer		
Bennett	Kassebaum	Breaux	Hatfield	Bradley		
Bond	Kempthorne	Bryan		Bumpers		
Brown	Kyl	Conrad		Byrd		
Burns	Lott	Daschle		Dodd		
Campbell	Lugar	Dorgan		Exon		
Chafee	Mack	Feinstein		Feingold		
Coats	McCain	Ford		Graham		
Cochran	McConnell	Glenn		Harkin		
Cohen	Murkowski	Heflin		Kerry		
Coverdell	Nickles	Hollings		Kohl		
Craig	Packwood	Inouye		Lautenberg		
DeWine	Pressler	Johnston		Levin		
Dole	Roth	Kennedy		Lieberman		
Domenici	Santorum	Kerrey		Moseley-Braun		
Faircloth	Shelby	Leahy		Murray		
Frist	Simpson	Mikulski		Reid		
Gramm	Smith	Moynihan		Rockefeller		
Grams	Snowe	Nunn		Sarbanes		
Grassley	Specter	Pell		Simon		
Gregg	Stevens	Pryor		Wellstone		
Hatch	Thomas	Robb				
Helms	Thompson					
Hutchison	Thurmond					
	Warner					

EXPLANATION OF ABSENCE:
1—Official Buisiness
2—Necessarily Absent
3—Illness
4—Other

SYMBOLS:
AY—Announced Yea
AN—Announced Nay
PY—Paired Yea
PN—Paired Nay

Shelf in the Gulf of Mexico if such waiver will make oil production from those leases economical.

Those favoring final passage contended:

This bill has two purposes. First, it will sell the Alaska Power Administration. Second, it will permit the export of oil from Alaska's North Slope oil fields. The first purpose is less controversial. Those Senators who are generally opposed to the sale of power marketing administrations (PMA's) recognize the unique nature of the Alaska Power Administration. This PMA operates exclusively in Alaska, and its sole source of power is from hydroelectric facilities. Further, from the beginning, the Federal Government never intended to retain control over these facilities. This sale, in fact, is a few decades overdue. The two concerns that have been expressed with proceeding with the sale have both been addressed in the bill. The first concern, that environmental standards will decline under Alaskan stewardship, has been taken care of in a straightforward manner: the bill provides that existing standards must be maintained. The second concern, that this sale will serve as a precedent for future PMA sales, is taken care of in the same manner: the bill states that Congress does not intend this sale to serve as a precedent. No Senator, therefore, should be concerned with this section of the bill.

The second section of the bill is more controversial. It provides that Alaskan North Slope oil may be exported when carried on U.S.-flagged vessels. Most of the objections have come from Senators in Washington and Oregon, who fear that their States will suffer as a result. Other Senators fear it will increase U.S. energy independence. They are incorrect. Allowing this oil to be exported will prove to be beneficial by every measure.

Restrictions were first placed on exports after the 1973 Arab oil embargo, and the current ban was put in place after the 1979 oil shock. The intent was to try to ensure a domestic supply of oil to guard against future embargoes. Since 1979, most oil produced from the North Slope has been brought to refineries along the west coast, particularly in Washington, which is the closest and thus must economical destination point. When oil production has exceeded the capacity of west coast refineries, it has been shipped to the Panama canal, piped overland to second ships (the oil tankers cannot fit through the canal locks), and brought to east coast refineries.

The problem that has occurred with this arrangement is that the price of oil and the demand for it have both dramatically declined. It is no longer economical to move North Slope oil through Panama to the east coast because of the decline in oil prices. Also, the drop in demand for oil has left west coast refineries with huge reserves. Consequently, production has been declining on the North Slope. The daily flow of oil through the Trans-Alaska pipeline has dropped from 2.2 million barrels a day in 1989 to 1.5 million barrels a day now. The lower prices for oil have stopped production at marginal wells all across the United States. This lower production level has increased unemployment in America significantly. Since 1982, employment in the oil and gas production industry has fallen by more than 400,000 jobs.

Allowing the export of North Slope oil will have several positive effects. First, according to a 1994 report by the Department of Energy, it will increase oil production in Alaska and California by approximately 100,000 to 110,000 barrels per day by the end of the century, and will create up to 25,000 new jobs in the United States. The development of more domestic sources of oil, even if some oil is exported, will increase U.S. security, without any government interference. If an embargo were again attempted, U.S. demand would go up, and all U.S. production would naturally respond to that demand. Already the natural market for North Slope oil is the west coast, because it is the closest market. Allowing exports will not change this fact.

Senators also need have no concern that allowing exports will raise gasoline prices. West coast refineries already pay much lower prices for North Slope oil, because it is a captive market, than do east coast refineries for the oil they import from overseas. At the same time, west coast refineries charge 3 cents to 4 cents higher wholesale gasoline prices. Not surprisingly, west coast refineries are enjoying enormous profits by charging the highest prices the market will bear. The net result of allowing exports, then, will be that oil producers will be able to demand higher prices when existing contracts expire, but refineries will have to reduce their profits instead of passing the costs on to consumers in the form of higher gas prices. This result will be long-term. Refineries are operating under multi-year contracts. As a result, the only refinery that we know of that has complained about this proposal is one that is owned by British Petroleum.

Historically, proposals to allow the export of Alaska North Slope oil have been opposed by maritime unions. However, they are now strong backers of this bill because it requires that any exports must be transported on U.S.-flagged carriers with U.S. crews. With declining exports to the west coast, the industry is moribund. Unions understand that this bill will give their members a huge boost.

Some concerns have been raised that Washington, and to a lesser extent Oregon and California, will suffer economically as a result of this bill. They fear first that inadequate supplies of oil will be shipped from Alaska, and second that their shipbuilding and repair industries will be hurt. On the first fear, the natural destination for Alaskan oil will naturally remain the west coast because it is the closest market. On the second fear, current U.S. law and this bill will protect the U.S. shipping industry. Under the Jones Act, goods and services that move between two U.S. ports must go in U.S. vessels built in U.S. shipyards and manned by U.S. crews. Another law provides that any U.S. ships repaired in foreign shipyards will be assessed a 50 percent surcharge. Finally, this bill will require Alaskan oil exports to be carried on U.S.-flagged and U.S.-manned ships. The U.S. maritime industry is uncompetitive with the rest of the world in every measure. It costs more to build ships, to man them, and to repair them. Without these laws, there would not be much of a U.S. maritime industry. The so-called Jones fleet on the west coast is comprised mainly of old, decrepit ships that move between Washington and Alaska. The need for these ships is declining as oil exports decline. Increasing production from Alaska will lead to the repair of many of these ships, which will have to be done at U.S. shipyards. It will also lead to the building of new ships, which will likely be made in the United States, because the United States will remain the principle market for Alaskan oil. We do not necessarily agree with the Jones Act and other protectionist measures that increase costs for Alaskan oil producers, but we recognize that they effectively protect our maritime industry.

The final concern that has been raised is that allowing exports will increase the chance of oil spills in U.S. waters. However, it will actually decrease the chance of such spills. Alaskan oil will no longer circle its way around both coasts, as it currently must when it is moved through Panama. Tankers will spend less time in U.S. waters, thus decreasing the chances for spills.

The domestic oil industry has been in sharp decline for many years. This bill will give it a boost by repealing the anachronistic ban on Alaskan oil exports. This repeal will be good for Alaska, good for the shipping industry, and good for the economy. This bill's sale of the Alaska Power Administration is also praiseworthy. We are thus strongly in favor of final passage.

Those opposing final passage contended:

We emphatically disagree with our colleagues' analysis of the effects of allowing Alaskan North Slope exports. We believe that domestic oil should be reserved exclusively for domestic consumption. Senators need to keep in mind that the Gulf War was fought largely to preserve U.S. access to foreign oil. The need to make that type of military commitment amply illustrates the dangers involved in relying on foreign oil. Those dangers did not disappear with that war--the Middle East is infested with despots who are likely to drag the United States into future military conflicts. Under these circumstances, exporting any portion of that oil which we produce domestically is foolhardy. We also strongly disagree with the effect this amendment would have on the U.S. shipping industry. Passing this bill will result in the scrapping of approximately 20 Jones Act tankers, which will be replaced by 6 large, foreign-built crude carriers. Those carriers will be U.S.-flagged, and will employ about 255 Americans, but thousands of American shipbuilding and repair jobs will be lost. In summary, then, this bill will increase our dependence on foreign oil, and will cost American jobs. We therefore must vote against final passage.